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OGLEBAY NORTON COMPANY ANNUAL REPORT 1971

Contents

Stockholders are cordially invited to attend the Annual Meeting of the Company, which will be held at 2:00 p.m. Wednesday, April 19, 1972, in the General Offices of the Company located in the Hanna Building, Cleveland, Ohio.

Financial Highlights

	1971	1970
Gross operating income	**$63,131,407**	$60,710,933
Net income	**4,150,338**	4,401,795
Cash dividends paid	**2,387,074**	2,468,164
Per common share (1)		
Net income	**3.88**	3.97
Cash dividends paid	**2.00**	2.00
Equity per common share (2)	**61.49**	58.57
Working capital	**23,152,670**	23,594,510
Total assets	**87,566,313**	83,491,567
Stockholders' equity	**66,880,635**	66,265,121
Depreciation and amortization charged to costs and expenses	**3,901,352**	3,885,355
Expenditures for properties and equipment, including investment in the Eveleth taconite project	**4,436,201**	7,647,569

(1) Per share figures, except equity per common share, are based on the average number of common shares outstanding during each year and have been computed after provision for annual preferred dividends.

(2) Equity per common share is based on the actual number of common shares outstanding at year end.

Loading crude quartzite at one of Central Silica's quarries in Ohio for transportation to a processing plant.

To Our Stockholders:

Our sales and revenues for 1971 were $63,131,407. This is an increase of $2,420,474, or about 4% over 1970 sales of $60,710,933. Net income for the year totaled $4,150,338, or $3.88 per common share, a decrease of about 6% from 1970 net income of $4,401,795, or $3.97 per common share.

All things considered, we believe the year's financial results were reasonably satisfactory, although we were disappointed that they fell below plan and the results for the previous year. We recorded an improvement over 1970 figures for the first nine months, but were unable to maintain this improvement in the last quarter, mainly because of the coal miners' strike, which began on October 1, and the failure of steel operations to rebound from last summer's abnormally low operating levels.

The first half of the year was strong. Steel production, a very significant factor in our business, was at a high level due to steel buyers building their inventories as a hedge against a possible strike in July. Simultaneously, the flow of import steel rose dramatically. When contract negotiations were concluded without a shutdown, liquidation of the strike-hedge inventories plus the continued flow of large tonnages of import steel produced a recession more severe than the industry had seen in many years. The impact of the labor-contract crisis in steel every three years seems to be growing in severity not only upon the producers but also upon their suppliers. Over the past decade, some segments of our economy have developed alternatives to cope with these irregularities. However, in steel, which is one of our nation's most important basic industries, the result has been more imported steel and a steadily deteriorating competitive position. Hopefully, the labor-management study committees, created under the latest contract settlement, will give serious attention to this matter in their deliberations.

In the fall, the coal industry, already plagued with productivity losses from wildcat strikes, excessive absenteeism and repeated interruptions for state and federal safety inspections, was hit by a six-week strike, and the effects of this upon operating patterns continued long after the settlement date. As was the case in steel, a contract settlement was made which increased labor costs far more than any foreseeable gains in productivity.

On the brighter side of our businesses, all operating divisions, except the coal and foundry operations, recorded better performances than those of 1970, in spite of the challenging and, at times, extremely uncertain conditions which faced them. We benefited from the implementation of new cost-control programs within several operations, but, because of business conditions generally, attainable levels of operation were not high enough to offset the greater cost factors encountered in the last half.

Operations in the Columbia Transportation Division were at a high level for most of the year. The bulk vessels were very busy in the iron ore trade until August, but, when steel operations declined, shipments were reduced and one of our bulkers was laid up. Rates for bulk, self-unloader and crane-vessel cargoes were increased at the beginning of the season. Earlier weather delays were offset by good sailing conditions in December. In addition, favorable water levels and operating patterns contributed to a better overall performance.

We purchased from Tomlinson Fleet Corporation the self-unloaders Sylvania and Tomlinson and the straight-deck bulk vessel James Davidson. These self-unloaders, which had been previously under charter to our Company, will serve our short-haul business very well.

During this winter season, we spent substantial sums to improve operating efficiencies of our vessels and to meet new requirements pertaining to pollution control.

Eveleth Taconite Company, our joint venture with Ford Motor Company, had its best year, with record tonnages produced and excellent cost performance recorded. The modification of certain facilities, begun in the latter part of 1970 and designed to increase production volume about 10%, was completed in midyear. Results more than fulfilled our expectations.

An increase of approximately 5.3% in iron ore pellet prices early in 1971 was helpful in offsetting higher wage and other costs during the last half of the year. Existing conditions in the steel industry, together with the continued availability of foreign ores in the world market, offer little encouragement for further price changes at this time.

Economic and market conditions were not conducive to serious consideration of any major expansion of Eveleth during the past twelve months, but we continue to work with potential new partners in such a project as well as in the development of our other taconite reserves in Minnesota.

Central Silica Company had another outstanding year, operating at or near capacity for most of 1971. With favorable economic conditions predicted for 1972, we look for results close to those attained last year.

Our Ferro Engineering Division had a very good first half, enjoying the benefits of a strong steel market, better manufacturing processes and improved product quality. When steel production declined rapidly after midyear, orders slowed significantly, and our results were adversely affected. With an indicated improvement in steel operations and in our own operating efficiency, we expect better results in 1972.

After showing significant improvement in 1970, the 1971 results in our coal operations were very disappointing, despite a good performance at our Ceredo coal dumping facility. We are carefully reviewing our position in coal mining. Although demand for coal is at a record level and a recognized energy shortage faces the nation, the industry is not in good condition.

The obstacles to attainment of productivity necessary to justify the large capital investments required appear to be increasing rather than diminishing, and coal has become a high-risk business, especially for an intermediate-sized operator. We intend to limit our future investments in coal to projects in which the consumer bears a more equitable share of the risk.

A sharp rise in import and export cargoes on the Great Lakes benefited our dock operations during the year, and we were able to improve our overall performance noticeably. An unprecedented flood of late-season import cargoes and a jurisdictional labor problem at our newly combined Toledo operations resulted in irregular operating patterns which interfered with attainment of hoped-for levels of profitability.

Two very important governmental developments occurred this year. One is the tax deferral benefit obtainable through establishment of a construction reserve fund which was made available under the Merchant Marine Act of 1970. This legislation is intended to stimulate the construction and renovation of the Great Lakes vessel fleet, and we think it will be helpful in doing so.

A second important action, of course, was the Administration's "New Economic Program," including price and wage controls and certain import limitations which should be of some assistance to the steel industry. We think this action was timely and necessary, although it has in some instances prevented us from obtaining prices covering our increased costs. We are concerned, however, about the inability of the stabilization agencies to withstand the enormous political pressures for allowing wage increases far in excess of productivity gains and permissible price adjustments.

Cash flow from operations in 1971 was $8,051,690. An additional $268,422 cash flow was realized from the use of accelerated depreciation in computing federal income taxes and a payment into the construction reserve fund.

Capital expenditures for the year amounted to $4,436,201. The most significant of these were for the acquisition in July of three vessels from Tomlinson Fleet Corporation; the conversion to fuel oil and the automation of the firing of the boilers on three of our vessels and deck strapping of one of them; the acquisition of the Toledo, Ohio, dock facilities of Ceres, Inc.; and the installation of several improvements at our T & B Foundry, including a complete and efficient dust-collection system meeting all foreseeable clean-air requirements.

Dividends paid during 1971 amounted to $1,877,462 for the common stockholders and $509,612 for the holders of our convertible preferred stock. Working capital was $23,152,670, and the ratio of current assets to current liabilities was 4.22 to 1.00 at year-end. The Company's financial position is strong and liquid, and we see nothing in our short-term picture that cannot be comfortably financed.

During the year, we repurchased an additional 36,120 shares of our common stock. This brings to 85,970 the total number of common shares retained in the treasury for possible use in acquisitions or for other corporate purposes. The acquisition of additional shares in the future will depend upon circumstances at the time.

Three of our officers, whose combined length of service added up to more than 105 years, retired from active employment at the end of 1971. Albert B. Cozzens, Senior Vice President-Transportation and Docks, concluded 42 years, having joined our organization in February 1929; Gordon C. Nichols, Vice President-Governmental Affairs, retired after 34 years of service; and Arthur W. Juergens, Assistant Treasurer, completed 27 years of continuous service in the Financial Department. All three rendered loyal and constructive service throughout their careers. We are indeed grateful to them and wish them well.

At the meeting of the Board of Directors on February 23, 1972, Renold D. Thompson was elected a Senior Vice President; Charles W. Ferris was elected Vice President and Treasurer; and Joseph B. Milgram, Jr., was elected Vice President-Corporate Planning.

As we enter 1972, there are some signs that the long-awaited upward trend is under way in the economy and, more importantly, in the steel industry, although liquidation of steel inventories continues at a far slower pace than most had foreseen. If the upward trend in the economy continues, we anticipate better earnings in 1972. In most of our operations, we are faced with the higher costs of built-in wage escalation in the 1971 agreements, and it will, therefore, require an even greater effort to reduce expenses and improve efficiency. We are dedicated to doing so.

On behalf of the Board of Directors, we wish to express our sincere appreciation to our employees, customers and stockholders for their cooperation and assistance during the past year.

Courtney Burton

Chairman

John J. Sawyer

President

March 29, 1972

Columbia Transportation Division's diversified fleet has a combined trip capacity of 250,000 gross tons.

Columbia Transportation Division

Demand for Great Lakes bulk vessel capacity was strong during the first half of the season in response to an effort by consumers to build stockpiles of iron ore. When the labor contract with the United Steelworkers Union was renegotiated without a strike, demand for capacity diminished, necessitating earlier than normal lay-up for some vessels. Despite an increase in iron ore transportation rates at the beginning of the season, the earnings of our bulk fleet were somewhat below expectations, due to higher labor costs and unusual weather delays.

Established operating patterns in the self-unloading fleet were severely disrupted by a United Mine Workers' strike, which brought the coal industry to a virtual standstill from October 1 to November 15. The absence of coal cargoes during this period, and increased labor costs were factors contributing to lower than projected earnings, notwithstanding that a rate increase had been in effect since the start of the year's activities.

The crane vessel fleet performed well with operating income above expectations.

It appears that sizeable amounts of iron ore from the 1971 build-up will still be on hand at consumers' plants at the opening of the new season. Because of this carry-over, it is expected that there may be a slower than normal start for the bulk vessels in 1972 with demand increasing in the second half of the year as excess inventories cease to be a problem.

By contrast, it is believed that inventories of coal will be below seasonal normal levels, because of the strike at the end of the previous year. Consequently, an early start, with demand sustained throughout the 1972 navigating season, is anticipated for the balance of the ships of our fleet.

The Company continues to pursue a long-established policy of dedicating a substantial portion of earnings to expanding and modernizing its floating equipment in order to better service customers' requirements. In addition to acquiring three vessels from the Tomlinson Fleet Corporation, oil-fired burners with automated engine room controls are being installed on the Edmund Fitzgerald, Ashland and Frank Purnell this winter. These improvements will provide ecological benefits through reducing atmospheric contaminants in stack emissions; they also are expected to decrease labor and certain other operating expenses. In addition, the hull of the Purnell is being strengthened to permit deeper load lines, thus increasing maximum carrying capacity by approximately 400 tons per cargo.

Quartzite and Industrial Quartz Sands

The Central Silica Company enjoyed its most profitable year with near capacity production at the Central and Millwood plants. The West Coast dock workers' strike, during a good portion of 1971, together with the new 10% surcharge imposed by the Federal Government on imported items, caused an upward surge in the domestic dinnerware and pottery industries which use "potter's flint," produced by both Central and Millwood. These same economic circumstances also aided the United States automobile industry which consumes large quantities of tempered glass, fiberglass and steel produced by customers of Central and Millwood. All three of the Company's divisions also benefited by the upturn in building which began early in 1971 and continued throughout the year. Many of Central's customers manufacture basic, essential building products such as fiberglass insulation, window glass, sanitary ware, heating components and neon lamps, all of which are directly incorporated into most types of construction, whether it be residential, commercial or industrial.

A depressing factor, however, was the instability in the steelmaking and associated industries during the third and fourth quarters of the year. This was responsible for a reduction in sales of specialized sands used in producing hot tops.

The Company continued to provide for its future growth and improved efficiency. Capacity at Millwood was increased by the installation of new sand drying equipment. Standby fuel systems for the sand dryers were put in place at both the Millwood and Central plants to insure uninterrupted shipments to customers in the event of a rationing of natural gas in the years ahead. Additional acreage was purchased contiguous to the Glass Rock plant for the construction of settling lagoons in anticipation of more stringent requirements prescribed by state or federal environmental control agencies. New and larger earth-moving equipment was also added at the Glass Rock quarry to remove 50% deeper overburden from its quartzite deposit in the next three years.

If the money market stabilizes favorably and results in the continuance of a level of building activity in excess of 2,000,000 starts and if the steel industry resumes its normal pattern, it is hopefully expected that the year 1972 will parallel the past year for the Central Silica Company.

Vibrating screens in processing plant are used to size silica sand.

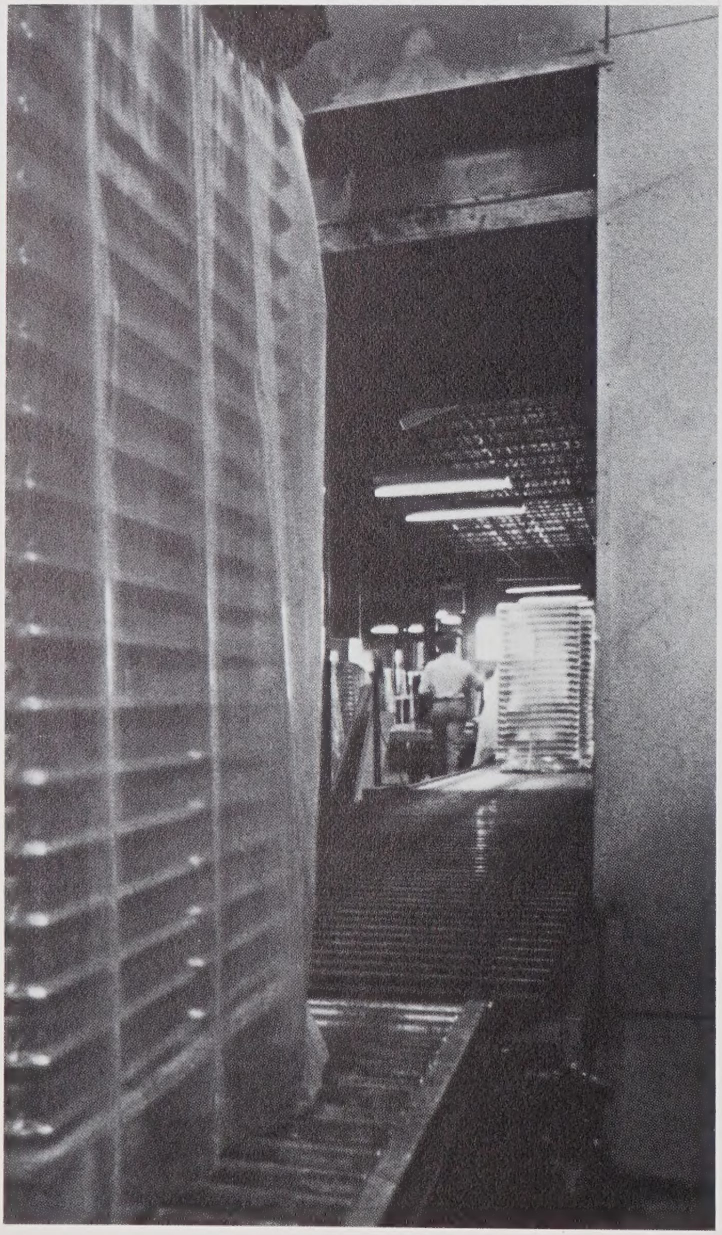
Primary crusher—Glass Rock Plant

Ferro Engineering Division

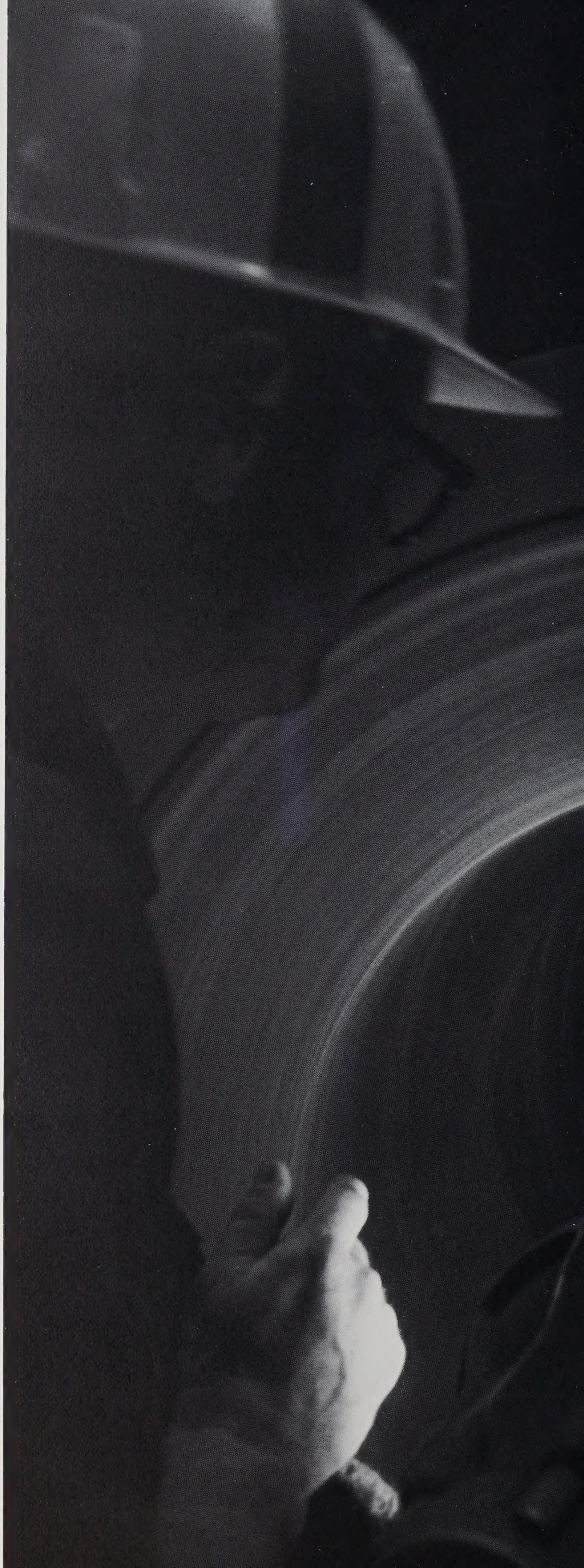
Major improvements in operating performance and an intensive cost control program produced a significant gain in profits despite the very low level of steel production during the last half of 1971. Although total sales volume decreased, shipments of "ferroboard" liners and flatboard increased.

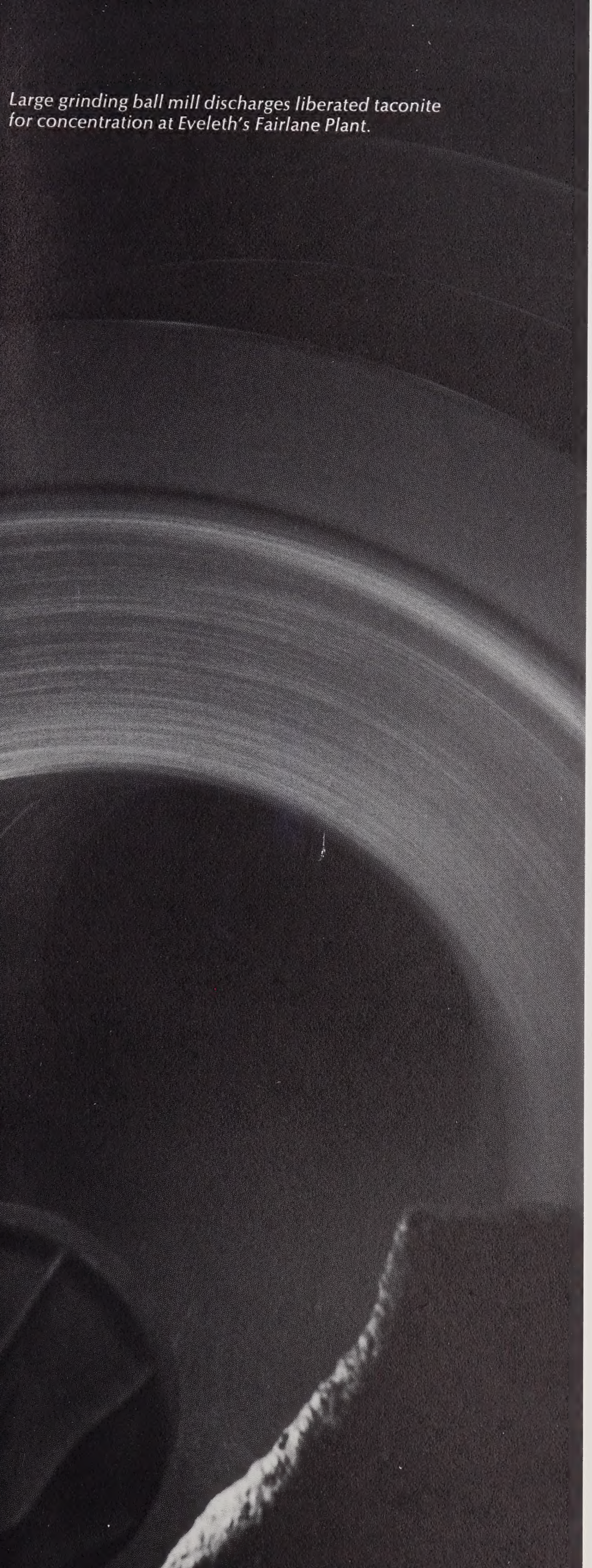
Raw materials, services and labor costs continued to rise disproportionately to productivity and selling prices. Price adjustments, following contractual wage increases, had to be withdrawn under the wage/price freeze order. Also, since we import certain raw materials, the devaluation of the dollar adversely affected the cost of those items.

We anticipate higher sales volume in 1972 with improved operating performance, even though there is excess production capacity in the hot top industry.



Hot top rings used in the steel industry are multiple-packed in heat-shrunk heavy gauge plastic for shipment.





Large grinding ball mill discharges liberated taconite for concentration at Eveleth's Fairlane Plant.

Iron Ore and Other Minerals

For the sixth consecutive year, record production levels were reached by Eveleth Taconite Company. The modifications of the facilities to increase production approximately 10% came on-stream at midyear as scheduled, thus contributing to the record production level, slightly in excess of 2,055,000 tons of pellets. A further significant achievement was the presentation of the "Sentinels of Safety" award in the Open Pit Group to the Thunderbird Mine by the American Mining Congress and the United States Bureau of Mines.

Despite the decline in steel production after the labor settlement on August 1, we were able to ship our share of pellets produced by Eveleth. Improved operating efficiency and the increase in price of taconite pellets helped to offset the costly labor settlement, higher taxes and supply and transportation costs. However, it becomes increasingly difficult to completely recover all incremental costs and, unless there is an additional increase in the price of iron ore pellets in 1972, profit performance may not reach the 1971 level.

We continue to seek new partners in the expansion of Eveleth Taconite Company and in the development of our taconite reserve on the Mesabi Range in Minnesota. The economics of expanding Eveleth compare favorably with competitive propositions, and our taconite reserve is considered an attractive prospect. The timing on the expansion or development of these projects depends greatly upon the growth of steelmaking capacity and the competitiveness of Minnesota's product within its natural market area.

Mineral exploration continues, primarily in Canada, the United States and Mexico. While several interesting prospects were evaluated during the year, none warranted development.

Due to the reduced steel operations and difficulties in securing raw materials, metallurgical fluorspar sales were disappointing in 1971. The decreased demand for metallurgical fluorspar did not allow us to penetrate the market with fluorspar briquettes produced by our Brownsville, Texas, plant. We are confident of the long-term demand for briquetted flux additives by the steel industry and are taking steps to improve our raw material supply and to develop new flux additives.

Coal

During 1971, production at our two Ohio Number 8 Seam mines was seriously affected by industry-wide, labor-related problems, including unauthorized work stoppages, high rates of absenteeism and a six-week strike following the expiration of the contract with the United Mine Workers of America on September 30, 1971.

A highly inflationary contract was negotiated in November which will increase labor and fringe benefit costs about 38 percent during its three-year term. Approximately 15 percent of the increase, including an additional payment of 20 cents per ton to the Miners' Welfare Fund, will occur in the first year of the contract. The recovery of these additional costs will be difficult under the guidelines established by the Economic Stabilization Act.

Our coal loading facility located on the Ohio River at Ceredo, West Virginia, operated at full capacity, excepting the strike period, and its prospects for 1972 appear to be very favorable.

The market demand for agency and brokerage coal was adversely influenced during 1971 by the expiration of the labor contract, sluggish business conditions both in the United States and abroad, the effects of a cool summer and a relatively warm winter and the building of near record inventories by consumers. A valuable sales agency market was also lost because of regulations relating to the sulphur content of coal burned in the Chicago area.

We look forward to better operations in 1972 because of indicated growth in business activity and increasing utility coal demands. The revised Mine Workers contract is expected to improve labor stability.

Our coal transfer dock at Ceredo, West Virginia, loads rail-to-barge at a rate of 24,000 tons per day.

Foundry Operations

Sales of T & B Foundry Company castings were lower because of the sharp decline in production of hot-topped steel and machine tools. Strikes at several customers' plants also restrained production and shipments.

Several personnel changes were made and cost controls continued enabling us to maintain constant product sales margins. Further development of the ductile iron process has enhanced our volume and profit potential.

During the year a new bag house filter was installed in the melting operation. This equipment keeps us well within the local, state and federal air pollution codes for particulate emission. A new raw materials handling facility became operational in 1971 which will significantly reduce handling and charging process costs.

Considering the forecasts of our customers, we look forward to an increase in sales and profits in 1972.

T & B Foundry Company's new pollution control equipment cools and cleans gas emissions.

New equipment and techniques are used to produce chemically bonded sand cores and molds for the production of superior castings.

OGLEBAY NORTON a broadening horizon

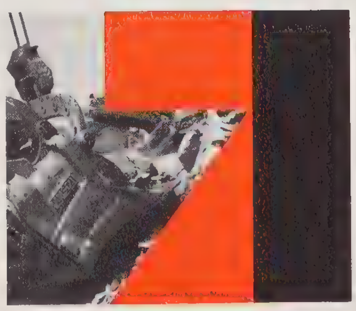
The diverse but related segments of Oglebay Norton serve markets in basic industries. The Company transports cargo on the Great Lakes in its fleet of eighteen vessels; mines and sells taconite pellets and coal; manufactures a complete line of hot tops and covering compounds at plants in Cleveland, Chicago and Hamilton, Ontario; and handles import/export cargo at four general cargo docks in Toledo, Saginaw, Bay City and South Chicago.

Yet the spectrum of its activity today goes beyond its traditional products and services:

Industrial silica sands are mined and processed for foundries and ceramic and glass producers from its properties in Ohio and Tennessee;

Gray-ductile iron castings are manufactured in Cleveland for machinery and equipment builders throughout the Midwest; and

Fluorspar (including briquettes from its plant in Brownsville, Texas) and other minerals are sold to the steel, glass and ceramic industries.



Central Silica has extensive reserves of crude quartzite. Shown here is a partial view of the Glass Rock quarry.

Dock Operations

In April 1971, the Toledo dock acquired an additional 45,000 square feet of warehouse space and three adjacent berths, making a total of 3,500 feet of deep-water frontage. The enlarged facility handled record volumes of tonnage partly because of the surge in foreign steel imports and the longshoremen's strike on the East and Gulf Coasts.

Bay City Seaway Terminal also enjoyed a record year in tonnage as well as operating profit. Export volume of chemical products was well above forecast and dock efficiency improved considerably because most of the cargo was palletized.

Saginaw Dock earnings were slightly below estimates due to a reduction of export scrap cargo caused by a general weakening in the international scrap market.

While it is expected that volume of tonnage handled at Toledo in 1972 will be somewhat less than in 1971, it is anticipated that through new cost control techniques greater profits will be generated, provided satisfactory labor contracts can be negotiated with our longshoremen this spring.

Operations and earnings at Bay City in 1972 may closely parallel the results of 1971. The magnitude of winter inventories of scrap for overseas shipment that are currently accumulating indicate that Saginaw Dock results will improve in 1972.

Due to the East Coast dock strike, record tonnages were handled at the Toledo Overseas Terminals dock.

OGLEBAY NORTON COMPANY AND SUBSIDIARY COMPANIES

Consolidated Statements of Income

For the years ended December 31, 1971 and 1970

	1971	1970
INCOME		
Net sales and operating revenues	$61,695,213	$58,903,305
Sales commissions, royalties and management fees	1,436,194	1,807,628
Dividends, interest and miscellaneous	570,910	662,880
	63,702,317	61,373,813
COSTS		
Cost of goods sold and operating expenses	50,388,769	48,566,637
General, administrative and selling expenses	6,394,210	5,690,381
Income taxes, including provision for deferred taxes, 1971 — $268,422 and 1970 — $414,176	2,769,000	2,715,000
	59,551,979	56,972,018
NET INCOME	$ 4,150,338	$ 4,401,795
INCOME PER COMMON SHARE		
On average number of shares outstanding during each year, after provision for preferred dividends	$ 3.88	$ 3.97
Assuming conversion of preferred shares beginning of year	$ 3.68	$ 3.77

Consolidated Statements of Retained Earnings

For the years ended December 31, 1971 and 1970

	1971	1970
BALANCE, January 1	$58,215,276	$56,281,645
NET INCOME	4,150,338	4,401,795
	62,365,614	60,683,440
CASH DIVIDENDS		
Common stock $2.00 per share	1,877,462	1,958,552
Preferred stock		
Series A, $2.75 per share	409,612	409,612
Series B, $2.50 per share	100,000	100,000
	2,387,074	2,468,164
BALANCE, December 31	$59,978,540	$58,215,276

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheets

December 31, 1971 and 1970

ASSETS	1971	1970
CURRENT ASSETS		
Cash	$ 2,841,691	$ 3,968,720
Marketable securities, at cost plus accrued interest (approximates market)	12,674,255	11,034,592
Notes and accounts receivable, less allowance of $146,122 in 1971 and $150,000 in 1970 for doubtful accounts	9,660,539	9,044,585
Inventories (Note 2)	3,827,257	3,833,964
Prepaid vessel rent, insurance and other expenses	1,344,621	1,186,124
Total current assets	30,348,363	29,067,985
INVESTMENTS, at cost, and advances to affiliated companies (Note 3)	9,589,264	7,076,971
PROPERTIES AND EQUIPMENT, at cost		
Vessels, docks and related equipment	51,051,311	48,691,222
Mining properties and equipment	21,242,740	20,442,330
Manufacturing properties and equipment	10,048,781	9,552,786
	82,342,832	78,686,338
Accumulated depreciation, amortization and depletion	36,326,994	32,965,960
	46,015,838	45,720,378
DEFERRED CHARGES	1,612,848	1,626,233
	$87,566,313	$83,491,567

OGLEBAY NORTON COMPANY AND SUBSIDIARY COMPANIES

LIABILITIES	1971	1970
CURRENT LIABILITIES		
Accounts payable, trade	$ 2,521,555	$ 2,410,861
Payrolls and other accrued compensation	2,610,499	1,759,959
Accrued taxes and other expenses	1,471,985	1,182,848
Income taxes	591,654	119,807
Total current liabilities	7,195,693	5,473,475
DEFERRED INCOME TAXES including investment tax credit (Note 6)	13,489,985	11,752,971
STOCKHOLDERS' EQUITY		
PREFERRED STOCK, without par value, redemption value $50 per share, authorized 400,000 shares; issued 188,950 shares at stated amount (Note 5)		
Series A, 5½% cumulative convertible, 148,950 shares	1,353,750	1,353,750
Series B, 5% cumulative convertible, 40,000 shares	407,350	407,350
COMMON STOCK, par value $1 per share, authorized 3,000,000 shares; issued 1,019,951 shares	1,019,951	1,019,951
ADDITIONAL CAPITAL	7,034,569	7,034,569
RETAINED EARNINGS	59,978,540	58,215,276
	69,794,160	68,030,896
Less common shares in treasury, 85,970 in 1971 and 49,850 in 1970, at cost	2,913,525	1,765,775
	66,880,635	66,265,121
	$87,566,313	$83,491,567

The accompanying notes are an integral part of these financial statements.

OGLEBAY NORTON COMPANY AND SUBSIDIARY COMPANIES

Statement of Changes in Financial Position

For the years ended December 31, 1971 and 1970	1971	1970
SOURCE OF FUNDS		
From operations		
Net income	$ 4,150,338	$ 4,401,795
Expenses not requiring an outlay of cash		
Depreciation and amortization	3,901,352	3,885,355
Deferred income taxes	268,422	414,176
Total from operations	8,320,112	8,701,326
Increase in deferred taxes resulting from prior year's timing difference	1,468,592	——
Disposition of fixed assets	132,414	23,240
	9,921,118	8,724,566
DISPOSITION OF FUNDS		
Expenditures for properties and equipment	3,937,511	7,494,269
Payment of dividends	2,387,074	2,468,164
Purchase of treasury shares	1,147,750	845,725
Investments and advances to affiliated companies	2,904,008	895,626
Reduction in long-term liabilities	——	427,000
Increase or (decrease) in deferred charges	(13,385)	212,226
	10,362,958	12,343,010
DECREASE IN WORKING CAPITAL	$ 441,840	$ 3,618,444
INCREASE OR (DECREASE) IN COMPONENTS OF WORKING CAPITAL		
Current assets		
Cash and securities	$ 512,634	$ (2,532,198)
Notes and accounts receivable	615,954	(2,825,853)
Inventories	(6,707)	217,195
Prepaid vessel rent, insurance and other expenses	158,497	(133,375)
	1,280,378	(5,274,231)
Current liabilities		
Accounts payable and accrued items	1,250,371	(1,775,594)
Income taxes	471,847	119,807
	1,722,218	(1,655,787)
DECREASE IN WORKING CAPITAL	$ 441,840	$ 3,618,444

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Principles of Consolidation The consolidated financial statements include the accounts of the Company and all of its subsidiary companies.

The Company has changed its policy with respect to the recording of brokerage coal sales. In prior years these sales and related costs were included in net sales and cost of goods sold, respectively. For 1971 the Company has recorded the commissions from these transactions as commission income and 1970 has been restated accordingly. The effect has been to reduce sales in 1971 and 1970 in the respective amounts of $3,539,144 and $7,755,798. The change had no effect on net income.

2. Inventories Inventories are stated at the lower of average cost or market and consist of:

	1971	1970
Finished products and materials	$2,524,021	$2,428,953
Operating supplies and materials	1,303,236	1,405,011
	$3,827,257	$3,833,964

3. Investments Investments include $5,606,853 and $5,499,878 at December 31, 1971 and 1970, respectively, representing a 15% interest in Eveleth Taconite Company which is 85% owned by another company. The investment is stated at cost which is the equity in underlying net assets. Eveleth has no income as the stockholders reimburse it for all costs incurred in proportion to their stock ownership, and the production of the mine is taken by the stockholders in like proportion.

At December 31, 1971, $1,837,000 of marketable securities have been classified as investments since the Company is committed to expend or segregate for future expenditure this amount in order to qualify for certain tax deferments under the provisions of the Merchant Marine Act, 1970.

4. Pension Plans The Company and its subsidiaries have several non-contributory pension plans covering substantially all of their employees. The total pension expense for 1971 and 1970 amounted to $1,033,000 and $818,000, respectively, which includes, as to certain of the plans, amortization of prior service costs over periods not exceeding 25 years. Prepayments for past service on a plan for salaried employees in prior years resulted in payments in 1970 being less than the amounts charged to expense. With respect to the other plans, current payments equal the amounts charged to expense. The actuarially computed values of vested benefits at December 31, 1971 exceeded the assets of the fund by approximately $1,203,000.

The Company also pays into a union plan which provides pension and other benefits for hourly rated employees at its coal mines. Payments are based upon a specified rate per ton of coal produced, and amounted to $485,294 in 1971 and $671,600 in 1970.

5. Preferred Stock The preferred stock is issuable in series and the Board of Directors is authorized to fix the number of shares and designate the terms of each issue.

Series A and B shares are entitled to one vote per share and the shares at the option of the holder, at any time, may be converted into common stock at the conversion price in effect at the conversion date (currently share for share). These shares are redeemable at the option of the Company subsequent to December 31, 1976 at $50 per share (aggregating $9,447,500) plus accrued dividends, and are entitled to a similar amount in the event of liquidation.

Dividends are cumulative and payable quarterly at an annual rate of $2.75 per share for Series A and $2.50 for Series B.

6. Deferred Income Taxes For income tax purposes, the Company's deductions for depreciation, pension expense and certain other costs (including certain expenditures for purchases and reconstruction of vessels) are computed differently than the amounts charged in the accounts for such costs. Amounts equal to the resulting tax reductions are charged to income (as income tax) and credited to deferred income taxes. The deferred taxes are credited to income (as income tax) in periods when depreciation, pension expense and certain other costs charged in the accounts exceed the amounts deductible for tax purposes.

The investment credit resulting from equipment acquisition prior to 1970 was deferred and the balance at January 1, 1970 is being amortized over a five-year period. Commencing in 1971, the policy of the Company is to reduce the income tax provisions for credits as they arise.

7. Commitments The Company has chartered a bulk cargo vessel at an annual charter rental of $570,000 under a charter expiring in 1983.

Outstanding commitments for purchase of properties and equipment amounted to approximately $2,285,000.

8. Depreciation and Amortization Depreciation and amortization charged to costs and expenses for the year 1971 and 1970 amounted to $3,901,352 and $3,885,355, respectively. The Company provides depreciation using the unit of production method for mining properties and equipment and the straight-line method for all other properties and equipment.

Accountants' Report

To the Board of Directors
Oglebay Norton Company

We have examined the consolidated balance sheet of Oglebay Norton Company and its subsidiary companies as of December 31, 1971 and the related consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the Company for the year 1970.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Oglebay Norton Company and its subsidiary companies at December 31, 1971 and 1970 and the consolidated results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Cleveland, Ohio
February 14, 1972

Lybrand, Ross Bros. & Montgomery

Ten Year Summary

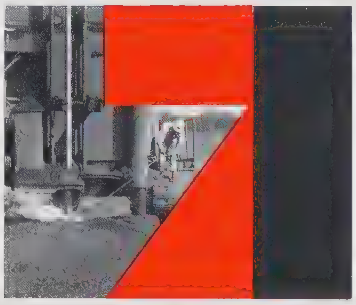
OPERATIONS	1971	1970	1969
Gross operating income	**$63,131,407**	$60,710,933	$62,894,005
Income before income taxes and extraordinary items	**6,919,338**	7,116,795	8,705,350
Income before extraordinary items	**4,150,338**	4,401,795	5,355,350
Extraordinary items, less applicable taxes	—	—	—
Net income	**4,150,338**	4,401,795	5,355,350
Cash dividends paid	**2,387,074**	2,468,164	2,445,366
Net income invested in the business	**1,763,264**	1,933,631	2,909,984
Depreciation, amortization and depletion charged to costs and expenses	**3,901,352**	3,885,355	3,471,337
Expenditures for properties and equipment, including investment in the Eveleth taconite project	**4,436,201**	7,647,569	4,150,812
FINANCIAL POSITION			
Current ratio	**4.22**	5.31	4.82
Working capital	**23,152,670**	23,594,510	27,212,954
Total properties, net	**46,015,838**	45,720,378	41,714,846
Total assets	**87,566,313**	83,491,567	84,072,272
Long-term liabilities	—	—	427,000
Total stockholders' equity	**66,880,635**	66,265,121	65,177,215
Common stockholders' equity	**57,433,135**	56,817,621	55,729,715
DATA PER COMMON SHARE*			
Income before extraordinary items	**3.88**	3.97	4.83
Extraordinary items, less applicable taxes	—	—	—
Net income	**3.88**	3.97	4.83
Cash dividends paid	**2.00**	2.00	2.10 (3)
Equity per common share**	**61.49**	58.57	56.06
OTHER STATISTICS			
Preferred shares outstanding at year end	**188,950**	188,950	188,950
Common shares outstanding at year end	**933,981**	970,101	994,051
Number of stockholders at year end	**1,246**	1,241	1,302
Stockholders' equity to total liabilities ratio	**9.29**	12.11	8.63

*Per share figures, except equity per common share, are based on the average number of common shares outstanding during each year and have been computed after provision for annual preferred dividends and adjusted for a 2% stock dividend paid in 1962.

**Equity per common share is based on the actual number of common shares outstanding at year end.

Acquisitions in 1968 and 1969 were treated as poolings of interest. In each case the year prior to the year of acquisition was restated. Figures for prior years are as reported in annual reports for the respective years.

Gross operating income figures for 1970 and prior years have been restated pursuant to Note 1 in notes to financial statements.



1968	1967	1966	1965	1964	1963	1962
$61,804,168	$62,169,252	$64,513,933	$54,616,612	$51,420,176	$51,407,785	$50,501,617
8,403,704	8,287,406	8,739,346	7,451,491	6,805,890	5,555,283	4,386,056
5,065,581	4,826,129	4,814,346	4,051,491	3,605,890	2,890,283	2,226,056
—	2,844,798	—	—	—	— (1)	— (1)
5,065,581	7,670,927	4,814,346	4,051,491	3,605,890	2,890,283	2,226,056
2,309,553	2,317,516	1,529,927	1,325,936 (2)	1,223,941 (2)	1,019,951	1,019,951
2,756,028	5,353,411	3,284,419	2,725,555	2,381,949	1,870,332	1,206,105
3,462,557	3,580,864	3,670,312	2,440,106	2,702,402	2,693,262	2,967,614
5,032,228	3,450,002	4,547,849	10,324,015	5,329,993	2,324,436	8,736,193
3.06	3.67	2.15	2.33	2.20	2.42	3.29
25,112,662	21,887,784	11,888,284	9,917,392	9,510,807	9,441,162	11,591,516
41,006,228	39,541,675	43,180,893	42,276,316	39,261,082	39,243,272	40,791,330
86,259,108	77,887,617	74,361,552	69,092,991	61,331,238	58,574,777	60,258,918
445,493	477,518	2,515,536	4,586,856	1,151,928	3,367,059	8,551,743
62,721,481	58,970,817	50,878,263	47,593,844	44,664,298	42,282,349	41,118,236
53,273,981	51,523,317	50,878,263	47,593,844	44,664,298	42,282,349	41,118,236
4.53	4.37	4.72	3.97	3.54	2.83	2.18
—	2.82	—	—	—	— (1)	— (1)
4.53	7.19	4.72	3.97	3.54	2.83	2.18
2.30 (3)	2.30 (3)	1.50	1.30 (2)	1.20 (2)	1.00	1.00
52.94	51.20	49.88	46.66	43.79	41.46	40.31
188,950	148,950	—	—	—	—	—
1,006,251	1,006,251	1,019,951	1,019,951	1,019,951	1,019,951	1,019,951
1,342	1,360	1,333	1,337	1,456	914	906
4.97	6.81	3.96	3.95	4.92	4.22	3.02

(1) Excludes extraordinary deductions of $502,229 in 1963 and $1,999,078 in 1962 equal to $.49 and $1.96 per share, respectively. These amounts were charged to retained earnings in those years.

(2) Includes an extra dividend of $.20 per share declared in each of the years 1964 and 1963, paid in January of the following years.

(3) Includes dividends paid by subsidiaries prior to acquisition by the Company.

Directors

Courtney Burton
Chairman of the Board of Directors of the Company

Walter M. Charman, Jr.
Vice President of the Company

Edgardo A. Correa
Retired, South Yarmouth, Massachusetts

John J. Dwyer
President of the Company

Robert I. Gale, Jr.
President, Mid-West Forge Corporation, Cleveland, Ohio

Arthur F. Harrison
President and Treasurer, Central Silica Company, Zanesville, Ohio

J. Gordon Hutchinson
Vice President, Rossville Yarn Processing Company, Rossville, Georgia

George F. Karch
Chairman of the Board and Chief Executive Officer, The Cleveland Trust Company, Cleveland, Ohio

Donald W. Mitchell
Retired, Ashtabula, Ohio

James J. Nance
Chairman, First Union Real Estate Equity and Mortgage Investments, Cleveland, Ohio

Alfred M. Rankin
Partner, Thompson, Hine and Flory, Cleveland, Ohio

Herbert S. Richey
President and Chief Executive Officer, The Valley Camp Coal Company, Cleveland, Ohio

Ellery Sedgwick, Jr.
Chairman of the Board, Medusa Corporation, Cleveland, Ohio

Edward W. Sloan, Jr.
Consultant, Cleveland, Ohio

Fred R. White, Jr.
Vice Chairman of the Board of Directors and Senior Vice President of the Company

Honorary Director — Henry P. Rankin
Retired, Cleveland, Ohio

Officers

Courtney Burton, *Chairman of the Board*
Fred R. White, Jr., *Vice Chairman of the Board and Senior Vice President*
John J. Dwyer, *President*
Renold D. Thompson, *Senior Vice President*
Walter R. Herron, *Vice President and General Manager—Ferro Engineering Division*
Arthur B. Rathbone, *Vice President—Ore Sales*
Charles W. Ferris, *Vice President and Treasurer*
Joseph B. Milgram, Jr., *Vice President—Corporate Planning*
Walter M. Charman, Jr., *Vice President*
Robert A. Thomas, *Secretary and General Counsel*
Alfred F. Savage, *Assistant Vice President—Mining*
D. Kelly Campbell, *Assistant Vice President—Iron Ore Operations*
John Limbocker, Jr., *Assistant to the President*
David A. Kuhn, *Assistant Secretary*
Leonard M. Bell, *Controller*
Lytton S. Beman, Jr., *Assistant Treasurer*
Walter L. Gonska, *Assistant Treasurer*

Subsidiary Management

Central Silica Company—Arthur F. Harrison, *President*
T & B Foundry Company—Frank P. Gill, *President*
Toledo Overseas Terminals Co.—Fred R. White, Jr., *President*
Canadian Ferro Hot Tops Limited (Canada)—Walter R. Herron, *President*

OGLEBAY NORTON COMPANY

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TRANSFER AGENT AND REGISTRAR
The Cleveland Trust Company   Cleveland, Ohio

COUNSEL
Thompson, Hine and Flory   Cleveland, Ohio

ACCOUNTANTS
Lybrand, Ross Bros. & Montgomery   Cleveland, Ohio

The Columbia sailor on deck emphasizes the size of hatch openings on one of our large bulk vessels.